



THE DEPUTY LIBRARIAN OF CONGRESS

April 30, 1997

Dear Ms. Dudley:

Thank you for the opportunity to review and comment on your draft audit report of the Library of Congress' consolidated financial statements for fiscal year 1996. The audit report sets forth good recommendations that, once implemented, will improve the Library's financial management. The report makes 43 recommendations, and the Library concurs with 38 and partially concurs with 5. The enclosure presents a detailed response to the recommendations in the draft.

As you know, Price Waterhouse LLP performed an audit on the Library's fiscal year 1995 consolidated financial statement of financial position. This audit was performed the first year following implementation of the new financial management system and was a year earlier than planned in the financial management improvement plan. Price Waterhouse issued a qualified opinion on the consolidated statement of financial position. They chose not to issue an opinion on the statement of operations due in part to the large number of adjustments brought about by the system conversion. The report contained four material weaknesses and seven reportable conditions.

Your firm, KPMG Peat Marwick LLP, one year later, has issued an unqualified opinion on the Library's consolidated financial statements, a credit to the entire staff of the Library of Congress. However, your firm also found that one material weakness and seven reportable conditions still exist. The report recognizes the progress made since the previous year's audit but emphasizes that additional efforts are required to address effectively the remaining control deficiencies and continued corrective actions are necessary on the long-term issues.

The report also recommends that the Library take steps to end noncompliance with laws and regulations concerning the operation of gift revolving funds and the Cooperative Acquisitions Program. These are long-standing conditions, and the Library is continuing its efforts to resolve them by seeking appropriate legislation.

Management Comments, FY96 Audit

Although the Library has made substantial progress in identifying and resolving its financial management issues, there is still much work to be done. We look forward to implementing the audit recommendations, proceeding with our financial management improvement plan, and responding to new government initiatives to improve the accountability of government to the people it serves. We look forward to the challenge and anticipate working with the Congress to accomplish these major important tasks.

Finally, please accept my appreciation and thanks for a professional and thorough audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald L. Scott". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donald L. Scott
Deputy Librarian of Congress

Enclosure

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**APPENDIX A
MATERIAL WEAKNESS**

COMPUTER SECURITY:

SECURITY PRACTICES OVER INFORMATION TECHNOLOGY SYSTEMS ARE INADEQUATE.

Recommendations - We recommend that:	*LC Response	LC Action	LC Plans
1. The Library implement Data Center access controls that restrict Data Center access to authorized staff. Visitors logs should be used to document all other authorized access, including time and purpose of the visit.	Concur	Recommended actions were underway at the time of the audit and have since been completed.	Information Technology Service (ITS) plans to continue evaluation of physical security measures and implement additional measures as needed.
2. The Library implement an end-user security awareness program, which should include annual user affirmation of their responsibilities relative to data security and ongoing data security education. The Library should develop, document, and implement data security policies, procedures, and standards for each processing platform (i.e., mainframe, minicomputer, microcomputer, local area network, and data communications).	Concur	ITS security staff do provide Data Security orientation training to new Library staff when requested by the Human Resources Directorate (HR). As you noted in the Notice of Finding and Recommendation (NFR), the Library did issue a Computer Security Policy statement in fiscal year 1996.	The Library's Staff Training and Development Office, in cooperation with ITS, will implement an end user security awareness program. The Library will build on its Computer Security Policy as resources permit.
3. The Library implement policies and procedures to properly restrict access to production data. This should include procedures to ensure that any changes made to production data have been authorized by management.	Partially Concur	We know of two instances where end-users have access to production data: one in Disbursing where this access is required to print checks, and one in Accounting to post payroll transmissions from NFC. In both, we are satisfied that the risk is limited and that we have mitigating controls (e.g., back-ups, report reviews, and reconciliations).	To eliminate the two instances, we plan to evaluate adding the jobs in question to the new job scheduling system when it has been implemented later this year. Also, access controls will be evaluated as part of the Library's scheduled conversion of the financial management system from DB2 to VSAM.

*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

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Recommendations - We recommend that:	*LC Response	LC Action	LC Plans
4. The Library develop, document, and implement policies and procedures for the use of ACF2 privileges to ensure that privilege use is warranted, monitored, and reviewed by appropriate management.	Partially Concur	In the past year, the Library has reduced the use of special ACF2 privileges by over 60%, and no non-systems engineering staff (i.e., application programmers) have special privileges. We believe that the mitigating controls in place (e.g., logging and monitoring all NON-CNCL access against production datasets) is adequate to reduce risk and ensure security. We visited several other government agencies and believe that our assignment of special privileges is reasonable in that context.	Work is underway to further limit the use of NON-CNCL access by stated tasks.
5. The Library develop, document, and implement comprehensive policies and procedures requiring Human Resources to inform Data Security personnel of all terminated employees before their termination date. We also recommend that information concerning vendors and internally relocated employees be forwarded to Data Security personnel before the termination or relocation date.	Concur	Since the date of the audit, the Library has instituted a new procedure that requires that the Computer Security Officer sign off on the separation clearance form assuring that the automated systems access accounts have been closed.	Given that there are very few terminations at the Library, we believe that the existing procedure is an adequate control.
6. ITS establish policies and procedures to prepare and distribute, by office, current access configurations for Library employees. These reports should be issued on a routine basis and should include, at a minimum, a user's identification, his or her access to all systems, applications, transactions, etc., and the type of access assigned (e.g., read, write, execute). These reports should be reviewed and signed by appropriate management and returned to ITS Data Security personnel.	Concur	None to date.	The Library will evaluate the need for, and optimum frequency of, the reports and procedures recommended as part of recommendation #3, as resources permit.

*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

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APPENDIX B
REPORTABLE CONDITIONS

FINANCIAL

WEAKNESSES IN CONTROLS OVER THE FINANCIAL REPORTING PROCESS

Recommendations - We Recommend that Financial Services:	*LC Response	LC Action	LC Plans
1. Remain diligent on requiring reconciliations of major accounts and subsystems to the general ledger according to the schedule outlined in FSD 96-8, <i>Guidelines for Financial Systems Reconciliations</i> . We recommend Financial Services assign follow-up of these reconciliations to qualified personnel within the department. Financial Services is assigning accountants to help those financial managers in program offices who were unable to successfully reconcile their accounts at year end. We understand Financial Services is also working with the FEDLINK financial director to design an enhanced report to aid them in their reconciliation processes. Regular and timely review of reconciliations and immediate attention to program office problems are key to ensuring that the general ledger detail is accurate and complete throughout the year. This must be a regular and ongoing process to be effective. We further recommend Financial Services and Contracts & Logistics (C&L) resume their reconciliation procedures of property and equipment acquisitions. We noted this area as the weakest in sufficiently complying with FSD 96-8, even subsequent to year end.	Concur	Financial Services has assigned operating accountants to assist the program systems with their initial reconciliations and is working with FEDLINK to simplify the reconciliation process between the SYMIN system and FFS. FSD is also coordinating with C&L to resume the quarterly reconciliations of the property acquisitions.	FSD plans to follow-up on the reconciliations once the initial process has been institutionalized. FSD is now revising the Directive 96-8 on procedures for reconciliations to incorporate the changes necessary as a result of the fiscal 1996 audit.
2. Continue to provide financial managers with Limited Control Review training that is tailored to their specific needs and provides a more "how-to" approach rather than a theoretical one. For example, the financial managers could be surveyed to determine what benefits they obtained from the classes and what they felt may have been lacking. Grouping attendees by the type of transactions they process (i.e., deposits or receipts, procurement, payroll, and property and equipment) would allow classes to be more tailored to the audience, and attendees would then receive information most relevant to their duties.	Concur	FSD has discussed additional training with the contractor ABACUS Technology and tentatively arranged for a class to be given to FSD Operating Accountants in June. This class will be a pilot for additional training of the Program and subsidiary financial managers.	FSD is revising the Limited Review methodology, including the questionnaires directing them to the specific types of transaction for each activity. Training will be more of a "how-to" approach.

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Recommendations - We Recommend that Financial Services:	*LC Response	LC Action	LC Plans
3. Tailor the Limited Control Review internal control questionnaires to the specific transactions or areas processed by the managers, excluding those areas that are irrelevant. We noted several instances where managers answered questions because they were asked, even though the areas were not their responsibility.	Concur	Action planned.	Internal Control review questionnaires will be directed to specific transactions for specific activities.
4. Coordinate with the IG's office as to the timing and extent of their planned audits of selected Limited Control Reviews in 1997. If the IG's work plan will not cover a substantial number of program subsystems, Financial Services must make plans to review them so management can assert that reviews are properly completed and controls are effective.	Concur	None.	FSD will coordinate with the IG Office to improve the internal control review process.
5. Revise the timing for conducting some of the annual Limited Control Reviews. Assigning different reviews every quarter of the fiscal year will provide assurance that controls are functioning during the year and not just at year-end, and will allow Financial Services and the IG's office to schedule their evaluations more evenly over the year to ensure timely follow-up of the review process.	Concur	FSD plans to begin the review of FFS following the training in June.	FSD will coordinate with the program and subsidiary systems to arrange training and review schedules throughout the year.
6. Delay implementing the planned activity-based costing project until full staffing of key positions is achieved.	Concur	FSD is hiring additional professional staff in preparation of implementing managerial accounting.	The FSD financial management improvement plan calls for implementation in 3-5 years. FSD will evaluate delaying financial statement implementation until all resources are available and appropriate systems are in place.

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LIBRARY RECORDS FOR CAPITALIZED NONBULK PROPERTY AND EQUIPMENT ARE NOT ACCURATE AND COMPLETE

To provide proper internal controls over capitalized property and equipment transactions, we recommend that:	*LC Response	LC Action	LC Plans
1. C&L strengthen its procedures for reviewing information entered into the IBCFACS database. C&L must establish integrity of the data currently recorded in its property and equipment database by reviewing all input for errors and making the necessary corrections.	Concur	C&L has reviewed the IBCFACS database for errors and made corrections as required.	C&L will review all available capitalized asset records prior to 10/1/91 against the purchase orders and invoice documents.
2. C&L assign an employee who does not have data entry responsibility to review the subsidiary system detail on a regular basis to avoid future errors, which can be minimized with a routine review process. Errors can also be minimized if the source documents from which entries are made are clear and accurate. For example, procurement often uses acronyms and names that are specific to one vendor instead of using generic terms that clearly describe the asset being purchased.	Concur	C&L has set up basic procedures for making reviews of data input.	C&L will assign a staff member who does not have data entry responsibility to review data entered using established procedures.
3. C&L provide frequent communication to other service units, reminding them of their responsibility to report any acquisitions that come directly to their unit. FSD 96-7 states that service units must notify C&L but is not specific as to how or when the other units should provide notification. Until compliance with FSD 96-7 becomes commonplace within the Library, we recommend C&L send a quarterly request to those offices that directly receive property acquisitions or information regarding donated assets, like the Congressional Research Service (CRS) and the Development Office, to report any acquisitions or donations received.	Concur	C&L is to send quarterly requests to those offices likely to receive property directly.	Appointment of "Property Liaisons" in service units, as well as a new inventory approach (room by room) will be the basis for long term solution of this issue.
4. C&L be given the responsibility to review and approve all procurement request transactions initiated by other service units, so knowledgeable staff can compare offers and make sound procurement decisions.	Concur	Issue concerns lease vs. buy. C&L is already in the loop. Contracting Officers will start analyzing requests.	The Chief, C&L, will issue guidance to Contracting Officers and advise customers of new procedures.

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To provide proper internal controls over capitalized property and equipment transactions, we recommend that:	*LC Response	LC Action	LC Plans
5. The Library expand the scope of its next physical inventory of capitalized assets and visit all areas of the Library that may potentially house fixed assets to ensure completeness of existing property records. The unrecorded donated assets we identified during our audit were not discovered by C&L during the year end physical inventory because only areas recorded as having existing capitalized assets were visited, and the donated assets were not located in any of those areas.	Concur	A comprehensive physical inventory will be conducted and reconciled with the IBCFACS database by fiscal year 1997 closure.	Comprehensive (room-room) (bldg.-bldg.) physical inventories will be conducted each year on all capitalized assets over \$10,000.
6. The Library reevaluate its useful life policies for capitalized property and equipment and determine whether the current lives are reasonable. Any change in policy should be documented and applied consistently to all new and existing assets in that category. Because this is only the second year the Library has prepared financial statements, we recommend the Library correct all existing assets and revise its policies retroactively for consistency.	Concur	A study of useful lives for certain classes of property will be conducted in June.	Useful life figures will be adjusted for assets when the study warrants change. Changes will be incorporated for fiscal year 1998 financial statements.
7. The Library gain an understanding of the proper accounting treatment for capital leases. Personnel involved in capital lease valuation and recording should understand how to determine the net present value of future lease payments for comparison to the asset's fair market value when recording cost and how to properly amortize interest expense and reduce the associated lease liability annually. Personnel should refer to Title 2 or SFFAS No. 5, <i>Accounting for Liabilities of the Federal Government</i> , for guidance.	Concur	C&L/FSD will meet to discuss use of the GAO Title 2 procedures on capitalized leases.	Capitalized leases will be updated using the prescribed procedures (GAO Title 2) by the end of fiscal year 1997.

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To provide proper internal controls over capitalized property and equipment transactions, we recommend that:	*LC Response	LC Action	LC Plans
<p>8. The Library consider using the current general ledger depreciation module for valuing and recording depreciation on assets that require capitalization or obtaining another package that will provide an interface with the general ledger and will calculate current period depreciation reports. The IBCFACS system is a bar code system meant to control the safeguarding of the assets and was not designed as a depreciation package. Although the general ledger's depreciation package provides no property location control as the IBCFACS system does, the general ledger system would capture all expenditures for property and equipment over the capitalization threshold without requiring a manual entry and would provide accurate depreciation information that would be recorded directly into the general ledger. The IBCFACS system could still function as a property control system for all assets over the safeguard control threshold, which is currently \$300.</p>	Concur	C&L/FSD will meet to discuss use of the FFS depreciation module for capitalized assets and for determining exact information needed to provide accurate calculations.	C&L will convert the capitalized assets to the FFS depreciation module if practicable. C&L will also investigate modifications to the IBCFACS program which will yield yearly depreciation figures.

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SAFEGUARDING CONTROLS FOR PROPERTY AND EQUIPMENT ARE NOT ADEQUATE

Recommendations for C&L:	*LC Response	LC Action	LC Plans
<p>1. FSD 96-7, <i>Guidelines for Accounting for Capitalized Property and Depreciation</i>, was not completed until the last quarter of fiscal year 1996 and was not officially effective until September 30, 1996. This directive reiterates the need for those Library service units receiving either purchased or donated property to report that information in a timely manner to C&L. Until this practice is routine, communication remains a major weakness in the Library's ability to safeguard its property and equipment. To help strengthen the communication process, we recommend appointing a staff person at the directorate level to be held accountable for instituting Section 3.3.1. of FSD 96-7 so that all acquisitions, dispositions, and transfers of property are managed at the local level. This person would be responsible for:</p> <ul style="list-style-type: none"> • Communicating with C&L (on a monthly, bimonthly, or quarterly basis, as deemed appropriate) any movement of property or equipment • Maintaining a copy of the equipment tracking detail (IBCFACS printout) of items in their area and noting any changes to it • ensuring that every item qualifying for control is property bar coded; any item without a bar code should be reported to C&L at the time of discovery. 	Concur	C&L will issue memoranda to all Library service units and offices requesting that personnel be assigned to act as "Property Liaisons" to C&L.	Once liaisons have been identified, C&L will work with these individuals to establish regular communication channels to handle all property actions in their offices and for obtaining their assistance during physical inventories.
<p>2. We recommend raising the threshold for bar coding and tracking assets from \$300 to \$500 or \$1,000 per individual item to further ease the burden of tracking low dollar value property and equipment items. Other government agencies use these thresholds and we believe labor hours could be better used in strengthening existing control weaknesses instead of tracking items with a low dollar value.</p>	Concur	C&L will raise the threshold to \$500 on a majority of items.	Effective June 1, 1997, incoming property valued at less than \$500 will no longer be added to the IBCFACS property records.

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Recommendations for National Library Service for The Blind and Physically Handicapped:	*LC Response	LC Action	LC Plans
1. We recommend that NLS consider merging the reporting performed by the two different playback machine tracking systems (BPHICS and MMR) and begin to capture all data within the BPHICS system. NLS would need to ensure that BPHICS and the MMR contain data for the same time period, since the MMR database has more historical information than BPHICS. The BPHICS system would need to be modified to capture the collective status by machine-lending agency (MLA) of all machines in the custody of machine-lending agencies, as well as acquisition information by serial number, which is its current function. The result should generate an output report of the collective status of machines by machine type. This would improve the accuracy of reporting from the lending agencies.	Concur	Action planned.	Implementation will be initiated in fiscal year 1998.
2. We also recommend establishing an acceptable range of "lost machines" for each lending agency, based on historical figures of patrons they serve and the current age and number of machines in their custody. In addition, we recommend requiring the independent contractor to compare totals for each machine model reported by each lending agency. No system updates would be accepted from lending-agency reports if the reported figures fall outside the established acceptable range. When the independent contractor receives the monthly reports from the lending agencies, it should compare the totals for each machine category with the acceptable ranges. If the reported figures fall outside the ranges, the machine-lending agencies should be required to perform a self audit to investigate the discrepancies.	Concur	Action planned.	Implementation will be in fiscal year 1998.
3. Finally, we recommend NLS review and monitor both the input from the lending agencies and the output from the independent contractor on a regular basis, and document a plan for visiting lending agencies to perform regular equipment audits.	Concur	Action planned.	Implementation will be initiated in fiscal year 1998.

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WEAKNESSES EXIST IN THE FINANCIAL REPORTING SYSTEM APPLICATION CONTROLS

Recommendation for FSD:	*LC Response	LC Action	LC Plans
1. The Library's financial reporting system override report, which is distributed by the Library's financial reporting System Administrator, is not adequately reviewed by end-user management. We recommend that the Library distribute the override security report on a routine basis and implement policies and procedures requiring end-user management to review and monitor override transactions.	Concur	The procedures for review of the override security report were changed in February to require documentation that supports management review of a sample of the override transactions.	FSD will continue to distribute the override security report on a routine basis and monitor the review process.

THE LIBRARY LACKS A BUSINESS CONTINUITY PLAN

Recommendations for ITS:	*LC Response	LC Action	LC Plans
1. We recommend that the Library develop a business continuity plan that includes current disaster recovery plans for mission critical information technology resources. The plan should be developed based on a business impact analysis and should identify information technology systems that are critical for the support of mission critical areas. After the impact analysis has been completed, a business continuity plan should be developed for those areas deemed mission critical to the Library. We also recommend that the Library evaluate the feasibility of contracting for an alternate data center processing hot site.	Concur	Problems related to backup tapes stored in the Landover Warehouse have been corrected through implementation of a remote robotic tape storage silo (data vault) at the House Information Resources Computer Center.	The Library will also take steps necessary to comply fully with the auditors' recommendations in the business continuity/disaster recovery area. However, issues of resources, both staff and fiscal, to support a business continuity planning initiative, including a hot site, will need to be resolved before further progress can be made.

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YEAR 2000 COMPLIANT SOFTWARE FOR FINANCIAL SYSTEMS HAVE NOT BEEN IMPLEMENTED

Recommendation for FSD and ITS and Program System Managers:	*LC Response	LC Action	LC Plans
1. We recommend that the Library evaluate each of its financial systems and subsystems and allocate the resources necessary to update the software to Year 2000 compliant versions as soon as possible.	Concur	Management plans and analysis of the overall Year 2000 problems are being developed.	<p>The Library concurs with the finding regarding the Year 2000 compliant version of the financial software, but must wait until the fiscal resources are available for contracting for installation services. We project that the compliant version will be installed in early fiscal year 1998.</p> <p>Progress on the overall Year 2000 system effort will likely span several years, with progress being made as resources permit.</p>

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THE LIBRARY'S INSPECTOR GENERAL OVERSIGHT FUNCTION IS LIMITED

Recommendation for the Librarian of Congress:	*LC Response	LC Action	LC Plans
<p>1. The Librarian of Congress should consider actions to follow-up and resubmit draft legislation to establish statutory authority for the Office of Inspector General (IG) at the Library of Congress. These actions should be taken in coordination with the testimony given by the Library of Congress at the Senate Committee on Rules and Administration in March 1997, reaffirming the Library's commitment to seek statutory authority for the IG. Title I of the proposed legislation granting statutory authority to the Library's IG would enhance the authority, status, and independence of the IG to detect and prevent waste, fraud, and abuse in the Library's administration and operations and would eliminate any perception that the Library's IG is not fully empowered to act independently.</p>	<p>Concur</p>	<p>On April 10, 1997, the Librarian sent a letter to the Library's oversight committee chairmen reaffirming the Library's request for IG legislation and seeking Congressional guidance on specific issues. These same issues were raised in a letter sent during the previous Congress, but unresolved before the session ended.</p>	<p>The Congressional Relations Office (CRO) continues to work with oversight staff to resolve open issues so that legislation can be finalized for introduction in the 105th Congress.</p>

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APPENDIX C
MATTERS OF NONCOMPLIANCE WITH LAWS AND REGULATIONS

THE LIBRARY OPERATES GIFT REVOLVING FUNDS BEYOND THE SCOPE OF ITS AUTHORITY

Recommendation:	*LC Response	LC Action	LC Plans
1. In order to comply with 2 U.S.C. 160, we recommend that the Library continue to seek specific statutory authority to operate gift revolving funds.	Concur	The Library has transmitted revolving fund legislation to Congress each year since 1990. In preparation for introduction of the legislation in the 105th Congress, LC consulted extensively with GAO to determine whether redrafting is necessary.	The LC CRO has notified committees with oversight jurisdiction that LC plans to offer revolving fund legislation again in the 105th Congress, and is working to meet any concerns of oversight members, GAO, Treasury, and other interested groups.

THE LIBRARY RETAINS CERTAIN MONEY FROM ITS COOPERATIVE ACQUISITIONS PROGRAM IN VIOLATION OF 31 U.S.C. SECTION 3302(b)

Recommendation:	*LC Response	LC Action	LC Plans
To comply with the General Accounting Office's decision on this matter, and in the absence of specific legislation authorizing the avoidance of applying 31 U.S.C. 3302(b), we recommend that the Library:			
1. Cease retaining money received from participants in the Cooperative Acquisitions Program to pay indirect costs or future contingencies	Partially Concur	Since January 30, the Library is not using the indirect cost money. The Library has requested legislative authority to retain receipts for indirect costs.	The Library plans to operate the program as a revolving fund when authorization is received. Fallback position: terminate program.
2. Remit money to the U.S. Treasury that would have been used to pay indirect costs or future contingencies that is included in the balance of \$2.3 million at September 30, 1996; the Library should remit these fees as the liability is reduced.	Partially Concur	The Library has requested legislative authority to retain receipts.	The Library plans to defer action until Congress authorizes or denies retention of receipts.

*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

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**APPENDIX D
INTERNAL CONTROL WEAKNESSES IN SAFEGUARDING OF COLLECTION ASSETS
AND RECOMMENDATIONS FOR IMPROVEMENT**

NO COMPREHENSIVE COLLECTION SECURITY PLAN OR FORMAL RISK ASSESSMENT

Recommendations for Library Services and the Senior Executive Committee:	*LC Response	LC Action	LC Plans
1. We recommend the Library begin developing a strategy for conducting the complete risk assessment. The strategy should address short and long term objectives or milestones, projected budget and personnel costs necessary to achieve each milestone, and timeframes under which each milestone is expected to be accomplished.	Concur	Library Services (LS) developed and submitted to the Executive Committee (EC) for approval, strategy for short-term and long-term implementation.	LS will continue to take the lead in refining and implementing multi-year risk assessment, with aid from Security and other service units.
2. We recommend the Library Services Directorate organize and manage the formation and implementation of the Library-wide risk assessment. The managing committee should include representatives from Copyright, the Law Library, and Integrated Support Services as well as those units within the Library Services Directorate who will play a significant role in risks shared by other units, such as Cataloging and Preservation. We recommend the Senior Executive Committee act as an oversight body for the Library-wide risk assessment.	Concur	LS has organized and convened an internal control review task force with full representation.	LS will continue to chair the task force and simultaneously perform assessments for the divisions in LS.

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Recommendations for Library Services and the Senior Executive Committee:	*LC Response	LC Action	LC Plans
<p>3. The risk assessment should:</p> <ul style="list-style-type: none"> • prioritize control measures by identifying those risks that would cause the greatest loss to the largest number or the most invaluable assets of the Library. The assessment should consider the likelihood of the occurrence and the cost versus benefit of reducing or eliminating those risks with effective control measures • address all service and custodial units separately, since each unit is unique and each has varying degrees of risks related to the four categories of control criteria • segregate risks by collection asset format and by location • seek to rank and categorize risks as described above and document the priority of controls needed based on the level of risk • establish common reporting standardized procedures for communicating control effectiveness to management on a regular basis • have physical security controls that correspond with Integrated Support Service's physical security plan currently under development. The responsibilities for physical security should be clearly established between the service and custodial units and Integrated Support Service. • consider the role of the AOC and what limitations the Library may have with regard to physical security in areas where AOC has responsibility. 	Concur	See above	See above
<p>4. In developing the risk assessment overall and by service unit, the Library should:</p> <ul style="list-style-type: none"> • leverage existing information gathered from internal assessments and reviews and those of outside contractors • utilize the knowledge of the Inspector General's office in identifying known security weaknesses • consider the Preservation Directorate's current plans as well as the Strategic Facilities Plan developed by Facility Services • review needs identified by the Catalog and Support Office during their recent development of a Request for Proposal for an Integrated Library System. 	Concur	See above	See above

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WEAK CONTROL ENVIRONMENT AND INCOMPLETE CONTROL ACTIVITIES

Recommendations:	*LC Response	LC Action	LC Plans
1. Consistent Security Measures - We recommend integration of the Library's overall physical security plan, currently under draft, with the Library's planned risk assessment. Weaknesses uncovered by the collection division as a result of their risk assessments should be brought to the Security Director for consideration and resolution. Until both the security plan and risk assessment can be fully completed, the extent of weaknesses in physical security controls will not be fully known.	Concur	The Security Director is ex-officio member of the Internal Control Review Task Force.	LS will continue coordinating the risk assessments of heritage assets with the Security Director.
2. Tracking Collection Items - We recommend transfer documentation be implemented as part of the Library's policies and procedures that will be adopted as a result of the risk assessment of the Library's collections. Transfer documents should be signed by both the receiving party and the party accepting the transfer or delivery.	Concur	LC is performing a risk assessment to identify weaknesses in documentation.	The Internal Control Review Task Force will recommend where such documentation is to originate.
3. Item Level Security - We recommend that policies be formulated documenting what item level security will be implemented for different categories of assets.	Partially Concur	Such policies already exist for the most part, although they are not always in written form.	LC will complete the risk assessment and make a decision about how much documentation is necessary.
4. Bibliographic and Inventory Control - We support the need for the Library to acquire an Integrated Library System (ILS) which will integrate many systems, provide more current and accessible bibliographic and inventory information, and provide the Library with available technology to keep pace with current and future demands.	Concur	An alternative analysis, business plan, RFP, and fiscal year 1998 budget request have been completed.	LC will publish the RFP in June 1997, and acquire the ILS upon Congressional approval.
5. Preservation Control - We recommend the facility requirements be considered in the overall collections risk assessment when considering preservation risk. Each division should include in their assessment any effects the acquisition of new facilities will have on their short term and longer term preservation risks.	Concur	Action initiated.	Preservation requirements will be included in all risk assessments.

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Recommendations:	*LC Response	LC Action	LC Plans
6. We recommend that the Library consider the use of surrogates in its risk assessment and compare the cost and benefits of this deterrent against others on a division by division and format by format basis.	Concur	Action initiated.	Use of surrogates will be considered in all risk assessments.

LACK OF EFFECTIVE MANAGEMENT INFORMATION AND MONITORING

Recommendation:	*LC Response	LC Action	LC Plans
1. We recommend integration of the performance plan process with the Library's collections risk assessment. Once the major controls over safeguarding of collection assets have been identified from the risk assessment, each division should develop measurable tasks that personnel should be performing to assure those controls are functioning. Division management should be held accountable for monitoring personnel assigned to these tasks. Reporting these results should be integrated into the Library's annual performance plans in order that management receives the information needed to assess the effectiveness of the internal controls over the collection assets.	Concur	Security responsibilities have been incorporated in performance plans of all managers.	After completion of risk assessments, all effected divisions in LC will develop security performance standards and incorporate specifics in managers' performance plans.